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ARTICLES:

- (1) Prime Minister Aso should tell U.S. of Japan's experience in handling own financial crisis

MAINICHI (Page 6) (Abridged)  
October 9, 2008

By Atsuro Kurashige, a member of the Mainichi Tokyo Editing Bureau

Prime Minister Taro Aso has delayed the date of the dissolution of the House of Representatives little by little. Some cleverly are calling it the "inchworm Diet dissolution." I would like to present

Also with two requests. One is to display leadership more in dealing with the current global financial crisis by making use of Japan's experience in handling its own post-economic bubble crisis. Another is to hold an election quickly to recover the legitimacy of the government, seriously taking the fact that his two predecessors abruptly stepped down during their terms of office.

A number of senior Liberal Democratic Party members, some of whom have even held one of the three party executive posts, have begun to say that the LDP's mission has already ended. Among the LDP's achievements were the choice to become a member of the Free World during the Cold War period and the building of an affluent Japan based on placing emphasis on economic growth. These were splendid accomplishments. What remains as its sole raison d'etre is has been its governing capability by skillfully maintaining its power by pseudo-rotations of governments that made full use of the bureaucracy. But former LDP Secretary General Koichi Kato has said: "Despite that, twice in row (an administration walked off the job), creating public doubts about the party's governing capability."

At that time, the LDP should have gone to the electorate to renew its mandate. Doing so is still necessary in principle. Recently, however, the environment has changed with the U.S.-triggered financial crisis. The Dow Jones Industrial Average has plunged below the 10,000 mark, and the 225-issue Nikkei Stock Average has also dropped below the 10,000 level. Asian and European markets have reeled, too. A domino effect has set in and plunged the world into a negative globalism. The real economy, as well, has begun to tumbled, with sharp drops in exports and the production of everything from Japanese cars, South Korean personal computers, to Chinese textiles

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as a result of Americans tightening their purse strings.

Politicians must take action now. There are tasks that must be urgently tackled by the current administration as political crisis management. This is a sort of a makeup test on its governing capability. Governments in the world are urged to carry out market intervention speedily and resolutely to end the vicious spiral of plunging markets. The supplementary budget bill will surely clear the Diet, helping out the domestic situation. But it is central that the U.S. hammer out bold, drastic measures to eradicate the problem areas in its own economy, from which the global financial crisis started.

We should remember that Japan experienced a lost decade following the bursting of the bubble economy in the 1990s and ending with the revival of the nation's financial system around 2003. How did Japan overcome the problem of asset deflation by which the economy lost several hundred trillion yen with plunges in stock and land prices? To rescue the dysfunctional financial system, the government earned 304 trillion yen in profits from interests over 14 years (based on estimate by the Bank of Japan) from households based on low-interest policy and then reorganized nearly 20 leading banks into three major groups by investing 13 trillion yen in taxpayers' money into the banks. Through these efforts, Japan was able to stop the negative domino effect in the end.

The public was aware that those who benefited from the bubble economy had to make strenuous efforts and pay the bill for the bursting of the bubble by themselves. What is happening in the U.S. is quite similar to the process in Japan. The original point in both cases in Japan and the U.S. is the collapse of the myth that land prices will continue to rise. Even so, the situation in the U.S. is expected to become more serious from now. The economic rescue plan taken in the U.S. recently is regarded as just "the third station (on the mountain)," according to the Nikkei, when compared with Japan's bailout measures. It is important that the U.S. find the best way and timing for using public funds to contain the financial crisis. Speedily restoring confidence will save the fate of the global economy, in a sense.

In a meeting of finance ministers and central bank governors from the Group of Seven Nations (G-7) to be held this weekend, Japan plans to urge the U.S. to inject public funds to shore up the capital base of ailing financial institutions, but that will not be

enough. The prime minister himself should call on state leaders to jointly press President Bush to tap taxpayers' money. Only Japan has had a similar experience. Any delay in taking action could lead to collapsing the global economy. In this sense, Japan will be able to make use of this rare opportunity to make its international contribution.

To justify the Iraq war, President Bush cited the U.S. Occupation in Japan as a successful experiment. He said that Iraq will become a Western-type democratic nation under occupational administration by the U.S., like Japan just after the end of the war. This is analogical logic, completely ignoring Japan's unique imperial regime. I felt that then Prime Minister Junichiro Koizumi did not fulfill the responsibility of Japan as its ally to point out President Bush's error.

How to treat relations with the U.S. will be a major campaign issue in the next House of Representatives election. Of course, relations

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with the U.S. are the bedrock of Japan's diplomacy, but we are now in an era in which both countries' leaders should say what they should say to each other, premised that even the U.S. sometimes makes a mistake. We should not just blindly follow the U.S.

The current administration's response to the ongoing financial crisis is only temporary crisis management. It will become possible for the administration to demonstrate its full-scale ability to govern for the first time after it is recognized as legitimate. The sole way to do so is a judgment to be made by the voters in a general election. The prime minister must agree to this view. He should keep in mind that a pointless delay in the election will result in damaging Japanese politics.

(2) Editorial: U.S., Europe should hastily pump capital into financial institutions as follow-up for coordinated rate cuts

NIKKEI (Page 2) (Full)  
October 9, 2008

The world is facing a credit crisis. The benchmark Nikkei Stock Average plummeted on October 8, closing at 9,203, down 952 points from the previous day. This is the lowest level in five years and three months. The yen alone is appreciating against the dollar and the euro, temporarily testing 100 against the dollar. The U.S. Federal Reserve Board (FRB) and five European central banks cut interest rates in unison as an emergency measure.

The FRB, the European Central Bank and central banks of Switzerland and Britain cut their policy interest rates by 0.5 PERCENT. China and the UAE also cut their interest rates simultaneously. Rate cuts joined by fast emerging countries are unprecedented. This is apparently an effective move.

Even so, there is no change in the fact that the unstable management of leading U.S. and European financial institutions, triggered by the collapse of Lehman Brother, is the root cause of the crisis. U.S. and European financial authorities should immediately inject public money into battered financial institutions.

The financial crisis has spread throughout the world. Trading among banks has become stagnant due to mutual distrust. Companies are having difficulty procuring capital. The FRB plans to help companies raise funds in exchange for unsecured commercial papers. Iceland, which was hit by currency turmoil, has declared an emergency situation. It will negotiate with Russia on its extending emergency financing in order for the nation to make up for a shortage of foreign currency reserves.

The growing observation that the U.S. and Europe will likely cut interest rates has prompted investors' judgment that differences in interest rates between those countries and Japan would narrow, which has led to a further yen advance on the Tokyo market. As a result, investors unloaded Japanese shares out of concern that export-oriented companies' business performance would worsen, causing the stock plunge.

The Bank of Japan (BOJ) did not join the concerted rate cuts. However, it took a cooperative stance by boosting the money supply. If monetary authorities of various countries indicate strong ties for the stabilization of the economy, it would produce a certain level of effects to stabilize the market.

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However, this is not enough to relieve financial uncertainties. The only way to settle the situation is for industrialized countries and rapidly emerging countries to deepen ties and decisively cut off the root cause of the negative spiral. Top priority should be given to regaining people's confidence in financial institutions by alleviating their capital shortage.

Britain revealed financial stabilization measures, including the injection of money totaling 50 billion pounds into leading banks, such as Barclays and HSBC. The U.S. and other leading European countries will follow suit. We want the U.S. to hastily boil down concrete measures, including the application of the Emergency Economic Stabilization Act to inject public funds into financial institutions.

A meeting of finance ministers and central bank governors from the Group of Seven Nations (G-7) must come up with convincing financial stabilization measures in concert. Japan is responsible for taking part in international cooperation more flexibly. The royal road to stabilize the economy is to show a firm resolve to prevent the financial market from falling into disorder.

(3) Editorial: Refueling issue must not be used as bargaining chip for Diet dissolution

MAINICHI (Page 5) (Full)  
October 9, 2008

The Diet is expected to pass during its current session a government-introduced bill amending the new Antiterrorism Special Measures Law—a time-limited law that is set to expire in January—to extend the Maritime Self-Defense Force's refueling of U.S. and other multinational force vessels in the Indian Ocean for another year. This is because the leading opposition Democratic Party of Japan (Minshuto), which is opposed to the legislation, has clarified its intention to accept the idea of taking a vote on it at an early date. The bill will be voted down in the opposition-controlled House of Councillors. However, the ruling coalition of the Liberal Democratic Party and the New Komeito is expected to take a second vote in the House of Representatives to override the House of Councillors' decision with two thirds of the seats.

The DPJ yesterday asserted that the legislation should be referred to the House of Representatives Special Committee on Terrorism without going through a plenary sitting of the House of Representatives for a government explanation of the legislation and a question-and-answer session. The DPJ is ready to accept the bill's early passage. The DPJ is also said to have told the LDP that one single day is enough for the special committee to deliberate on the legislation.

The DPJ probably wants to prevent Prime Minister Aso and the LDP from spending time on Diet deliberations and making an excuse for delaying a dissolution of the House of Representatives. The DPJ's aim is to drive the prime minister to dissolve the Diet for a snap election.

Indeed, we want Prime Minister Aso to dissolve the Diet at an early date. The DPJ, however, prioritizes its political jockeying over the legislation's contents. This is like putting the cart before the horse. Since last year, the DPJ has been standing against the MSDF's

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refueling activities in the Indian Ocean. As a counterproposal, the DPJ has presented the Diet with its own antiterrorist bill that

features assistance activities on the ground in Afghanistan. The DPJ-proposed legislation has been carried over to the current Diet session.

Actually, instead of accepting the government bill's passage, the DPJ should come up with points of contention in its counterproposal to the government bill and then seek voter response.

Some people say the DPJ's advocacy of conducting activities in Afghanistan is unrealistic, given the deterioration of public security in that country. It would not have any merit to wrangle now about how to assist Afghanistan... There may be such a judgment behind the DPJ's argument for taking a vote at an early date.

Meanwhile, with a general election in mind, the LDP intends to attack the DPJ over Afghan assistance. The LDP will likely try to draw public attention to the war on terror as part of its political strategy. The New Komeito was opposed to the idea of taking a second vote on the refueling bill before the general election, but the party is said to have changed its mind to favor it. In the public eye, what was behind that is hard to see.

Due to discrepancy between the House of Representatives and the House of Councillors, the ruling and opposition parties have been poignantly at odds over the legislation of extending the MSDF's refueling activities. The legislation has been tossed about in politicking for the timing to dissolve the Diet. That is not the way the legislation should be. Under a new government coming into office with public confidence after the general election, the new ruling and opposition parties should pursue an agreement without political maneuvering. We want the ruling and opposition parties to stop bargaining over antiterrorism in order to have a snap election. We want them to make it a point of contention in their campaigns for the general election. In addition, we would also like to make a request concerning the government bill. Time and time again, we have said any legislative measures for the SDF's overseas activities must require Diet approval before sending SDF troops for overseas activities in order to establish civilian control. The government bill, however, continues the current antiterrorist law as is and does not incorporate Diet approval. This is a serious flaw. Diet approval, which was prescribed in the previous antiterrorist law, should be restored.

(4) Envisage what will come after post-Cold War era

ASAHI (Page 15) (Abridged slightly)  
October 9, 2008

By Jitsuro Terashima, chairman, Japan Research Institute

Many countries, including the United States, have fallen into the syndrome of feeling that they have no choice but to do something. Their mentality is that having come this far, there is no other choice but to jointly prop up the markets, for that would be far better than having a global recession. But is rescuing and irresponsibly sharing the negative legacy while leaving the system uncorrected the right thing to do? Bloated finance capitalism must be called into question and reviewed severely.

The U.S. Congress has finally approved a bailout plan to buy

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nonperforming assets worth 700 billion dollars (approximately 70 trillion yen). Some seem to be relieved, but I feel profoundly depressed when thinking of the enormous financial burden placed upon the United States. The U.S. government will pump roughly 1 trillion dollars into the financial market, including money to rescue two mortgage giants and AIG. In addition, the Iraq war has cost the country 1 trillion dollars. The total price tag comes to a whopping 2 trillion dollars, or 200 trillion yen.

The United States economy has been hit with huge military spending and an excessive consumption society that are out of proportion to the U.S.' industrial capacity. That has been made possible by a system designed to guide capital into the country from around the world. By skillfully using financial engineering, the United States

has turned even risks into objects of investment. The country has created financial markets that are attractive to a whole range of investments by developing a variety of unconventional financial products. The money game under this system has been partially supported by funds that flew out of Japan because of its ultra-low interest rates.

The other day, I had a discussion with a financial source in New York. When the topic turned to the definition of financial engineering, he jokingly said: "It a technology to devise means to lend money to people who are not entitled to it." Sooner or later, such means will collapse. The subprime crisis is a natural consequence.

There is no doubt that the post-Cold War paradigm, or the framework of the times, has shifted. Since the end of the Cold War, the United States has been referred to as the sole superpower or the global empire with the predominant currency. It has been seven years since the 9/11 terrorist attacks on the United States, and those expressions no longer mirror the actual situation. Failure in Iraq and the financial turmoil following the subprime crisis signify an end to the post-Cold War era.

People say that the world has become multi-polarized. I think world order is being created by all players. In this year's Lake Toya Summit, the Group of Eight was not even able to set a direction for resolving the environmental issue. We still clearly remember that China, India, and African countries stood out during the summit.

I also noticed an interesting thing about the Beijing Olympics. A total of 87 countries and regions won medals in the event. In the past, the games were dominated by the United States and Soviet Union. In the world of sports as well, the medals are shared by athletes from all over the world.

In the post-Cold War era, Japan, based on the mentality to blindly follow in the footsteps of the United States, has kept pace with that country regarding events from the Iraq war to the subprime crisis. As a result, it has become clear that Japan cannot get through this period with excessive dependence and expectations on the United States alone.

It can be said that Japan is now in an age of true globalization after breaking out of its dependence on the United States. At the same time, Japan must not get into "badger capitalism" as a result of becoming overly inward-looking. It must reject "vulture capitalism." Japan is required to have the capability to map out rules on international order for all players.

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Japanese financial market is relatively more stable than those in European countries and the United States. Given the situation, Japanese financial institutions are making moves to invest in former major Western investment banks or to by their departments. But in view of risks associated with investing in the banks with murky business prospects and the number of personnel capable of managing international financial activities, such moves cannot be called the right decision.

I believe that at this stage, Japan should reflect on the money game of the past and search for ways to steer financial assets into Japanese industries and technologies.

(5) Senior LDP member: Lower House will be dissolved next January at earliest

SANKEI (Page 3) (Abridged slightly)  
October 9, 2008

Following the rapid spread of the economic crisis, Prime Minister Taro Aso is now being forced to substantially adjust his scenario for dissolving the House of Representatives after the passage of the supplementary budget for fiscal 2008. Should he create a political vacuum by dissolving the Lower House amid the current global financial crisis, he would not be able to avoid being criticized as

abandoning his administration. Since Aso has already instructed that a second extra budget be drafted, the possibility is strong that Lower House dissolution will be pushed back to next January or later. Some in the New Komeito, which has called for the Lower House dissolution before the end of the year, are unhappy about delaying it. The move has shocked and shaken both the ruling and opposition parties, which have already launched preparations for the election. Aso has already been pressed to steer a difficult course in coming out with appropriate economic and financial measures, while resisting pressure from both camps.

Muneo Suzuki of the New Party Daichi called for an early Lower House dissolution in a Lower House Budget Committee meeting yesterday afternoon. The minute Aso received a memo from his secretary he opened his eyes wide and said:

"Although it is important to ask for the people's vote of confidence, I must consider the right timing. Stock prices fell today, as well. How much? 9,252 yen ... As much as 900 yen dropped. This isn't normal. Frankly speaking, Concern about the future of the economy has spread even beyond my imagination. Appropriate measures to stimulate the economy are definitely needed. The public would agree that I should come up with more economic measures before dissolving the Lower House. Given that, I need to make an extremely tough decision on whether to dissolve the Lower House."

Aso's replay to Suzuki's question was taken as his declaration of effectively putting off Lower House dissolution. Aso won the presidential election of the Liberal Democratic Party (LDP), advocating the need for an early Lower House dissolution and snap election. He has now taken a cautious stance toward dissolving the Lower House soon. The presence of LDP Election Strategy Council Deputy Chairman Yoshihide Suga, a member of Aso's brain trust, has a significant impact on his policy shift.

Soon after Aso delivered a policy speech on Sept. 29, Suga began to  
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talk about "an idea of pushing back Lower House dissolution." The LDP found in its pre-election survey that it would garner totaling 210 seats -- 145 seats in the electoral district competition and 65 seats in the proportional representation segment, but that it would be difficult for the ruling coalition to secure a majority in the Lower House even if the New Komeito won 30 seats. The results of the poll made Suga worried.

Aso, meanwhile, has become increasingly nervous about the rapid worsening of the global economy. Immediately after forming his cabinet, Aso told Minister of Finance and State Minister for Financial Services Shoichi Nakagawa: "The financial crisis appears to be worsening faster than we expected. We must get moving. I'm counting on you."

After that, Aso had adamantly refused to accept the ruling camp's idea of dissolving the Lower House ahead of deliberations on a supplementary budget for fiscal 2008. He then ordered that work start on drawing up a second extra budget.

On the morning of Oct. 8, Lower House member Hirotaka Ishihara, representing the Tokyo-3 district, was giving an outdoor speech in front of a station in Shinagawa Ward, Tokyo. He has been delivering a speech there every morning and evening since late August. He has held small meetings in the evening. He set up an office for campaigning on Sept. 20.

Like Ishihara, a number of ruling and opposition lawmakers are becoming very frustrated. There was a rush of opening campaign offices across the nation last week. More than 1 million yen is needed to run one campaign office in the Tokyo Metropolitan. Therefore, the delay of Lower House dissolution is a matter of life and death for those lawmakers.

With an eye on the July 2009 Tokyo Metropolitan assembly election, the New Komeito has demanded that the Lower House be dissolved before the end of the year. New Komeito members are growing dissatisfied with the delay. New Komeito Secretary General Kazuo

Kitagawa said yesterday in a meeting of the party's Lower House members: "While closely watching effects of the U.S.-originated financial turmoil, another economic stimulus package should be drawn up late this year reforming the tax system. We also need to draft a second extra budget, and compile a budget for fiscal 2009. One senior New Komeito member complained:

"If the present situation continues, (the prime minister) may dissolve the Lower House next January. He would not delay it beyond January. Under the original plan, the Lower House should already have been dissolved. Who is the stupid person who said that the general election would be held on Oct. 26?

The main opposition Democratic Party of Japan (DPJ) has not budged from its stance of stepping up pressure on the prime minister to dissolve the Lower House quickly. There is a possibility that Aso will be forced to dissolve the lower chamber before drawing up a second extra budget if he fails to come up with an effective package of economic measures.

On the night of Oct. 7, Aso took part in a meeting of senior LDP Diet Affairs Committee members to give words of encouragement to them. The meeting was held at a Chinese restaurant in Tokyo. Lower House member Koichi Tani, imitating the proceedings of the Lower

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House plenary session, said: "I would like you to dissolve the House quickly, omitting the remaining proceedings." Aso involuntarily burst into laughter. What indeed was he thinking deep down inside?

(6) Psychological war over Diet dissolution

ASAHI (Page 4) (Abridged)  
October 8, 2008

DPJ aiming to induce snap election

In the Diet, the House of Representatives Budget Committee staged a main event yesterday, with the leading opposition Democratic Party of Japan (Minshuto) having its three former presidents take the floor and fire away at Prime Minister Aso. "Are you going to stay on?" With this, the DPJ, which wants to prod the prime minister to dissolve the House of Representatives for a general election at an early date, provoked the prime minister. However, the prime minister carefully kept ducking and weaving. They jabbed each other, while dancing around the timing.

At the outset, DPJ Deputy President Naoto Kan, who was the first to take the floor, asked a point-blank question: "You said things like this shortly after becoming president of the Liberal Democratic Party: 'We must resolutely battle the DPJ in the general election and win. I can attain heaven's will only when we win the election.' When is the general election?"

The prime minister avoided making it clear. Then, Kan asked if the prime minister has given up "Heaven's will." He went on with his provocative question: "You're going to stay on without a general election, aren't you?" Kan advertised a roadmap in the DPJ's manifesto for how to secure ways and means in order to grapple with the financial crisis, saying: "It's important to implement policies that will lead to domestic demand expansion. Our party's policies will all lead to domestic demand expansion."

The DPJ's immediate challenge is how to induce the prime minister to dissolve the House of Representatives. The opposition parties are trying to drive the prime minister to dissolve the House of Representatives. However, the right to dissolve the Diet is in the prime minister's hands.

Following Kan, DPJ Vice President Katsuya Okada took the floor. In the beginning, Okada called the Aso cabinet's legitimacy into question. The prime minister underscored the need to fast-track economic stimulus measures before dissolving the Diet. Okada said: "Your cabinet has not appealed to the country yet. After an election, you can consolidate your support base, and then you can go ahead with fundamental financial policy measures."



DPJ Vice President Seiji Maehara also touched on Diet dissolution in his question asking about the scale of freeing up the road-related tax revenues. "I'd like you to take a look at the budget compilation in December. That's all I can say." With this, the prime minister dodged Maehara's challenge. Maehara rebutted, "I don't know if you will dissolve the Diet or if you can compile the budget, but please do not forget what you've said now."

Behind the battle of words, the DPJ is now edging on the prime minister to dissolve the House of Representatives.

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"I can't say that's enough (for deliberations). However, we don't want to put it off for nothing." So saying, Okada, a senior director on the Budget Committee, implied the DPJ's readiness to take a vote today on the supplementary budget. Asked whether the DPJ would approve the extra budget, Okada answered: "It's insufficient in many respects, but we don't have to vote against it."

Meanwhile, the government has now introduced to the Diet a bill amending the Refueling Special Measures Law to extend the Maritime Self-Defense Force's refueling activities in the Indian Ocean. The ruling coalition wants to explain the proposed legislation tomorrow in the Diet. The DPJ will accept it and will also respond to taking a vote on the bill at an early date. For the time being, the DPJ's strategy is to save the prime minister's face with its moderate pursuit. "We are setting the stage (for the prime minister) to dissolve the Diet," a DPJ executive recounted.

If the prime minister has made up his mind to dissolve the Diet after extending the refueling law, it would be a plus to respond to taking a vote on the legislation without wasting time and vote against it... DPJ President Ozawa and other DPJ leaders are said to have confirmed this course of action in their meeting on Oct. 6.

However, the DPJ is not sure of what is on the prime minister's mind. Another DPJ executive said: "If the prime minister will not dissolve the Diet (even after voting on the proposed legislative measures), we will go all out in the Budget Committee over the second extra budget. They can't hang in there until the year's end. Everybody is about to run."

Premier looking for campaign issues

Provoked by the DPJ's Kan, Prime Minister Aso made an in-depth statement about dissolving the House of Representatives.

"We will have to set campaign issues with the DPJ. There are many issues, which include what to do about Japan's international contributions, I think. We need to clear up these issues, and then we should make clear which party is competent to take office."

This statement from Aso implied that he would like to dissolve the House of Representatives over the advisability of continuing the MSDF's refueling activities in the Indian Ocean. This is one of the five issues from Aso's question to the DPJ in his recent policy speech before the Diet. This unprecedented counter interpellation was aimed to make clear the campaign issues in the general election.

The DPJ will vote against the refueling bill in the House of Councillors for a snap election. This is intended to have the ruling coalition take a second vote in the House of Representatives and override the upper chamber's decision. This could incur a public backlash, but the prime minister will dissolve the Diet without hesitation... The prime minister's aides think that way. Aso, before becoming prime minister, used to reiterate: "I take it for granted that we will take advantage of two-thirds (of the seats in the lower chamber to override the upper chamber's decision in a second vote in the lower chamber) when we've got to do so without delay for national defense or diplomacy, because that is allowed under the Constitution."

Now that the supplementary budget is expected to pass the lower

chamber, the government and the ruling coalition are going to enter into deliberations on the refueling bill and other legislative measures, including relevant bills to establish the Consumer Affairs Agency. In a cabinet ministerial conference yesterday, Aso suggested the need for the government to take additional measures for domestic demand expansion in particular, thereby indicating that he is willing to compile a second extra budget. One of the prime minister's aides said he would make clear the difference with the DPJ by grappling with a number of issues. At the same time, the prime minister seems to be exploring campaign issues.

SCHIEFFER